

Study shows toll roads are more fair than taxes

August 20 2008, By Stanley Paul

(PhysOrg.com) -- Popular wisdom may suggest that toll roads are unfair to the poor, but a new joint study by UCLA and USC researchers shows that these pay-as-you-go transportation options may actually be fairer to all income levels than paying for road improvements through sales taxes.

"Just Pricing: The Distributional Effects of Congestion Pricing and Sales Taxes," examines the high-occupancy toll lanes on State Route 91 in Orange County, Calif., known as the 91 Express Lanes. The study is currently available in the online edition of the journal *Transportation* and comes "at a time when public officials in Los Angeles and other cities are considering congestion tolls and sales tax increases for transportation," according to study co-author Brian D. Taylor.

In the study, Taylor, professor and chair of urban planning at UCLA and director of the UCLA Institute of Transportation Studies, and co-author Lisa Schweitzer, assistant professor at USC's School of Policy, Planning, and Development, compared how two distinct transportation-funding mechanisms — a toll road and a tax measure — affect Orange County's lower-income residents.

Because many voters and elected officials oppose proposals for "congestion tolls" on equity grounds, road projects are usually funded by more politically acceptable sales taxes. The researchers found that this reasoning is flawed.

"Asking drivers to pay for road use ignites debates over fairness, but the

debate often fails to address the larger question of how funding for transportation projects is actually being distributed throughout the community," Schweitzer said. "Freeways are a premium transport service, and they should be priced accordingly. The study shows that if we are prudent, we can do that while being sensitive to the circumstances of low-income drivers."

The 91 Express Lanes is a 10-mile stretch of roadway comprising four lanes in the center of the freeway reserved for registered users with transponders. Subscribers can choose to pay a toll to enter these lanes and bypass stop-and-go traffic in the adjacent "free" lanes. The tolls are set to keep traffic in the reserved lanes free-flowing and range from \$1.25 to \$10, depending on the direction and time of day.

The study found that the express lanes are disproportionately used by middle- and upper-middle-income households. Using this as a starting point, the researchers asked hypothetically how people of different income levels would be affected if the four express lanes had instead been financed with sales tax revenues.

To answer this question, they looked at Orange County's local option transportation sales tax, known as Measure M, which is levied on everyone who purchases taxable goods and services in the county. Measure M generated about \$240 million annually during the period of the study, which considered expenditures by both Orange County residents and out-of-town visitors.

If Measure M funds had been used to finance the express lanes, the study found, the poor and wealthy would have paid more. Middle- and upper-middle-income taxpayers would have paid \$26 million less each year than they paid under the current cost-distribution system, and the very poorest residents would have paid over \$3 million more than they actually did under the current toll system.

Under the current 91 Express Lanes scenario, those who are paying the most to use the lanes are typically middle- and upper-middle-class households who have the freedom to decide whether the extra price is worth the savings in time.

"While regular users can pay dearly for the right to bypass 9 miles of bumper-to-bumper traffic — about \$700 a year for heavy users and \$300 a year for moderate users — all such payments are voluntary, because traveling in the congested free lanes is always an option," Taylor said.

The study notes that most forms of transportation finance — fuel taxes, sales taxes and tolls — are regressive forms of taxation in that they burden the poor more than the rich.

"Are tolls regressive? According to this and many previous analyses, yes. But for transport policy, whether tolls are regressive fails to fully address the justice and fairness issues that arise in financing road use," the researchers write. "Using sales taxes to fund roadways creates substantial savings to drivers by shifting some of the costs of driving from drivers to consumers at large, and in the process disproportionately favors the more affluent at the expense of the impoverished."

The researchers suggest that if policymakers are worried about low-income, peak-period commuters paying tolls, one way to address this would be to provide discounted "lifeline" pricing based on income levels, as is done by utility companies for qualifying customers, or provide travel credits to lower-income commuters. Another strategy is to use toll revenues to enhance transit services along the corridor so that people have an alternative to driving on the freeway.

While economists have long argued for "congestion tolls" on efficiency grounds, this groundbreaking new study suggests that such tolls may,

surprisingly, increase equity in comparison to raising sales taxes to pay for transportation facilities.

The study is currently available online at www.springerlink.com/content/1168327363227298 .

Provided by UCLA

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